

Gladbrook-Reinbeck Community School District

**Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings**

June 30, 2007

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Gladbrook-Reinbeck Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2006 Election)

Theodore Hamer	President	2008
Beth Miller	Vice President	2007
Kelly Dinsdale	Board Member	2006
Douglas Rowe	Board Member	2006
Michael Bearden	Board Member	2007
Darin King	Board Member	2008
Rick Lockhart	Board Member	2008

(After September 2006 Election)

Theodore Hamer	President	2008
Kelly Dinsdale	Vice President	2009
Beth Miller	Board Member	2007
Valerie Ehlers	Board Member	2009
Michael Bearden	Board Member	2007
Darin King	Board Member	2008
Rick Lockhart	Board Member	2008

School Officials

Dennis Modlin	Superintendent	2007
Debra Oleson	District Secretary/Treasurer	2007

Independent Auditor's Report

To the Board of Education of
Gladbrook-Reinbeck Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District, Reinbeck, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

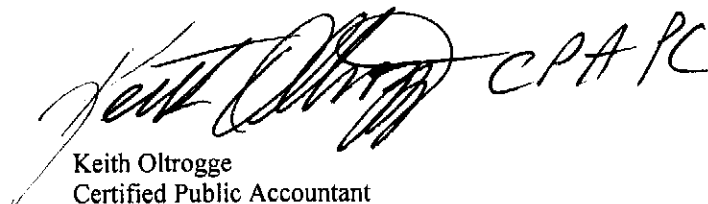
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated January 16, 2008, on my consideration of Gladbrook-Reinbeck Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gladbrook-Reinbeck Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

January 16, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gladbrook-Reinbeck Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,033,650 in fiscal 2006 to \$6,380,054 in fiscal 2007, while General Fund expenditures increased from \$5,983,419 in fiscal 2006 to \$6,057,170 in fiscal 2007. The District's General Fund balance increased from -\$43,205 in fiscal year 2006 to \$277,146 in fiscal year 2007, a \$320,351 increase.
- The District's solvency ratio increasing from .7% in 2006 to 4.5% in fiscal 2007. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gladbrook-Reinbeck Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gladbrook-Reinbeck Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Gladbrook-Reinbeck Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Gladbrook-Reinbeck Community School District Annual Financial Report

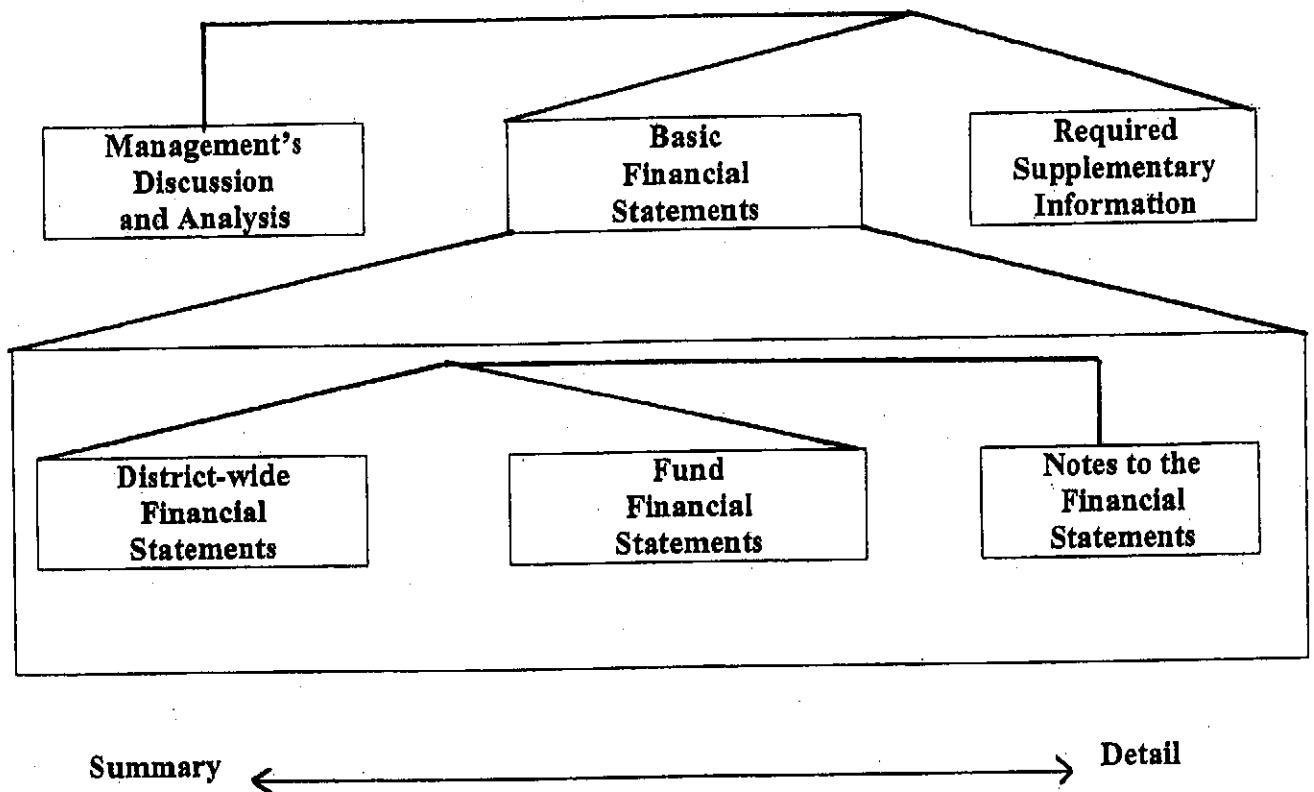


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Swimming Pool Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds Agency Funds.

- **Agency Funds** – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of the District.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purpose and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$4,951,772	\$5,017,457	\$7,525	\$41,930	\$4,959,297	\$5,059,387	-\$100,090
Capital assets	1,818,830	1,880,063	56,076	55,420	1,874,906	1,935,483	-60,577
Total assets	\$6,770,602	\$6,897,520	\$63,601	\$97,350	\$6,834,203	\$6,994,870	-\$160,667
Long-term liabilities	\$716,332	\$866,490	\$-	\$-	\$716,332	\$866,490	-\$150,158
Other liabilities	3,509,604	4,271,444	10,064	9,208	3,519,668	4,280,652	-760,984
Total liabilities	\$4,225,936	\$5,137,934	\$10,064	\$9,208	\$4,236,000	\$5,147,142	-\$911,142
Net assets:							
Invested in capital assets, net of related debt	\$1,138,830	\$1,115,063	\$56,076	\$55,420	\$1,194,906	\$1,170,483	\$24,423
Restricted	6,431	-	-	-	6,431	-	6,431
Unrestricted	1,399,405	644,523	-2,539	32,722	1,396,866	677,245	719,621
Total net assets	\$2,544,666	\$1,759,586	\$53,537	\$88,142	\$2,598,203	\$1,847,728	\$750,475

The District's combined total net assets increased by nearly 28.9%, or \$750,475, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$719,621 or 51.5%.

Figure A-4 shows the change in net assets for the year ended June 30, 2007.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$393,011	\$165,936	\$558,947
Operating grants, contributions and restricted interest	707,744	92,719	800,463
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	2,705,618	-	2,705,618
Local option sales & service tax	475,063	-	475,063
Unrestricted state grants	3,004,876	-	3,004,876
Unrestricted investment earnings	120,909	162	121,071
Other	43,711	7,715	51,426
Total revenues	\$7,450,932	\$266,532	\$7,717,464
Program expenses:			
Governmental activities:			
Instruction	\$4,372,596	\$-	\$4,372,596
Support services	1,971,090	9,693	1,980,783
Non-instructional programs	2,979	301,444	304,423
Other expenses	316,654	-	316,654
Total expenses	\$6,663,319	\$311,137	\$6,974,456
Change in net assets	\$787,613	-\$44,605	\$743,008

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,450,932 and expenses were \$6,663,319. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$4,372,596	\$3,273,893
Support services	1,971,090	1,969,038
Non-instructional programs	2,979	2,979
Other expenses	316,654	316,654
Totals	\$6,663,319	\$5,562,564

- The cost financed by users of the District's programs was \$558,947.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$800,463.
- The net cost of governmental activities was financed with \$3,180,681 in property and other taxes and \$3,004,876 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$266,532, and expenses were \$311,137. The District's business type activities include the School Nutrition Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Gladbrook-Reinbeck Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,544,666, more than last year's ending fund balances of \$1,759,586.

Governmental Fund Highlights

- The General Fund balance increased from -\$43,205 to \$277,146.

BUDGETARY HIGHLIGHTS

Over the course of the year, Gladbrook-Reinbeck Community School District amended its annual budget one time.

The District's receipts were \$140,131 more than budgeted receipts, a variance of 1.8%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1,874,906, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3.1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$200,271.

The original cost of the District's capital assets was \$7,060,579. Governmental funds account for \$6,941,161, with the remainder of \$119,418 accounted for in the Proprietary, School Nutrition Fund and Swimming Pool Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$37,965	\$37,965	\$-	\$-	\$37,965	\$37,965	\$-
Construction in process	18,294	-	-	-	18,294	-	18,294
Buildings	1,365,602	1,398,995	-	-	1,365,602	1,398,995	-33,393
Improvements other than buildings	80,339	97,427	-	-	80,339	97,427	-17,088
Furniture and equipment	316,630	345,676	56,076	55,420	372,706	401,096	-28,390
Totals	\$1,818,830	\$1,880,063	\$56,076	\$55,420	\$1,874,906	\$1,935,483	-\$60,577

Long-Term Debt

At June 30, 2007, the District had \$716,332 in other long-term debt outstanding. This represents a decrease of 17.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Outstanding Long-term Obligations		
	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
Capital note	\$680,000	\$765,000	-\$85,000
Early retirement	3,736	66,641	-62,905
Compensated absences	32,596	34,849	-2,253
Totals	\$716,332	\$866,490	-\$150,158

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debra Oleson, District Secretary/Treasurer, Gladbrook-Reinbeck Community School District, 300 Cedar Street, Reinbeck IA 50669.

Basic Financial Statements

Gladbrook-Reinbeck Community School District

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
ISCAP	\$ 536,628	\$ -	\$ 536,628
Other	1,677,853	2,517	1,680,370
Receivables:			
Property tax:			
Delinquent	35,425	-	35,425
Succeeding year	2,420,746	-	2,420,746
Accounts	48,322	-	48,322
Accrued interest:			
ISCAP	18,078	-	18,078
Other	2,153	-	2,153
Due from other governments	212,567	500	213,067
Inventories	-	4,508	4,508
Capital assets, net of accumulated depreciation	1,818,830	56,076	1,874,906
Total Assets	\$ 6,770,602	\$ 63,601	\$ 6,834,203
Liabilities			
Accounts payable	\$ 72,873	\$ 1,508	\$ 74,381
Salaries and benefits payable	451,859	4,485	456,344
ISCAP warrants payable	538,000	-	538,000
ISCAP accrued interest payable	9,710	-	9,710
Other current liabilities	1,735	-	1,735
Due to other governments	12,748	-	12,748
Accrued interest payable	1,813	-	1,813
Deferred revenue-succeeding year property tax	2,420,746	-	2,420,746
Other	120	4,071	4,191
Long-term liabilities:			
Portion due within one year:			
Capital note	85,000	-	85,000
Early retirement	3,000	-	3,000
Compensated absences	32,596	-	32,596
Portion due after one year:			
Capital note	595,000	-	595,000
Early retirement	736	-	736
Total Liabilities	\$ 4,225,936	\$ 10,064	\$ 4,236,000
Net Assets			
Invested in capital assets, net of related debt	\$ 1,138,830	\$ 56,076	\$ 1,194,906
Restricted	6,431	-	6,431
Unrestricted	1,399,405	-2,539	1,396,866
Total Net Assets	\$ 2,544,666	\$ 53,537	\$ 2,598,203

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	-2,204,940	\$ -	\$ -2,204,940
	-632,604	-	-632,604
	-436,349	-	-436,349
\$	-3,273,893	\$ -	\$ -3,273,893
\$	-137,898	\$ -	\$ -137,898
	-193,957	-	-193,957
	-705,350	-	-705,350
	-541,761	-	-541,761
	-389,266	-	-389,266
	-806	-	-806
\$	-1,969,038	\$ -	\$ -1,969,038
\$	-2,979	\$ -	\$ -2,979
\$	-36,235	\$ -	\$ -36,235
	-28,869	-	-28,869
	-251,550	-	-251,550
\$	-316,654	\$ -	\$ -316,654
\$	-5,562,564	\$ -	\$ -5,562,564
\$	-	\$ -47,500	\$ -47,500
	-	-4,982	-4,982
\$	-	\$ -52,482	\$ -52,482
\$	-5,562,564	\$ -52,482	\$ -5,615,046